



Department of Justice

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**JUSTICE DEPARTMENT WILL NOT OPPOSE PROPOSED MERGER OF TWO WATER
HEATER MANUFACTURERS UPON COMPLETION OF CERTAIN DIVESTITURES**

WASHINGTON, D.C. -- The Department of Justice announced today it will not challenge the proposed merger of SABH Inc. and Mor-Flo Industries Inc., two manufacturers of residential water heaters, in light of certain divestitures of assets that will eliminate the anticompetitive effects of the transaction.

Charles A. James, Acting Assistant Attorney General in charge of the Antitrust Division, said, "This divestiture will preserve competition among water heater producers in the United States. It will create an independent, efficient water heater company, replacing the competitor that will be eliminated by the SABH-Mor-Flo merger."

The Department concluded that the merger, as originally proposed, would have had significant anticompetitive effects in the residential water heater market by combining two of only five significant water heater producers. It said the Herfindahl-Hirshman Index, a measure of market concentration, would have increased by more than 400 points to about 2,600 as a consequence of the proposed merger. In light of the high level of concentration and other market characteristics, the transaction, if permitted without the divestitures, would have significantly

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increased the likelihood that prices of residential water heaters would rise as a result of coordination among the remaining producers.

SABH, headquartered in Philadelphia, Pennsylvania, is a subsidiary of Australian Brewing Holdings, an Australian company. SABH manufactures and sells residential water heaters in the United States through its Bradford-White subsidiary, which is also headquartered in Philadelphia.

Bradford-White, with annual sales of about \$145 million, is the fifth largest of five significant manufacturers of water heaters in the country. Mor-Flo, headquartered in Cleveland, Ohio, is the third largest water heater manufacturer, with annual sales of about \$205 million.

SABH divested the Bradford-White water heater plant in Middleville, Michigan, to a newly-formed and independent Employee Stock Ownership Trust (ESOT). It also divested the Bradford-White brands. For six months, the ESOT will limit its sales of these brands to a 26-state area around its plant. There will be no limitations thereafter.

In addition, SABH and the ESOT will begin a joint venture for the production of commercial water heaters at a facility to be jointly owned in Middleville.

Divestiture and the formation of a new joint venture adequately address the Department's antitrust concerns and eliminate the need to file suit to enjoin the transaction, said James.

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